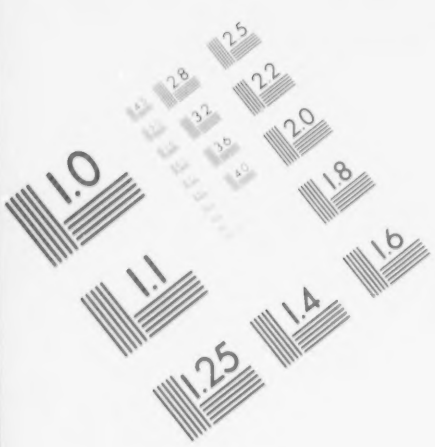

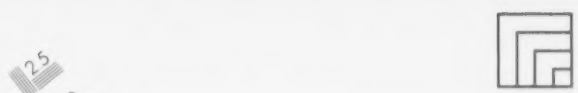

AIIM

Association for Information and Image Management

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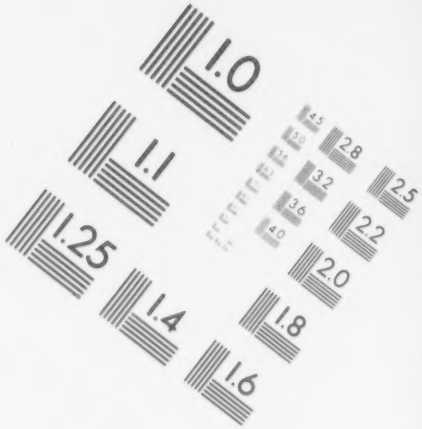
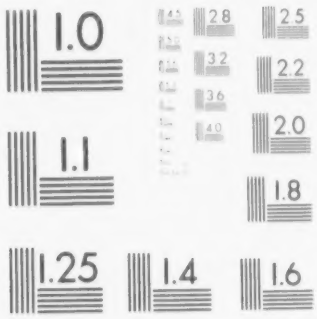
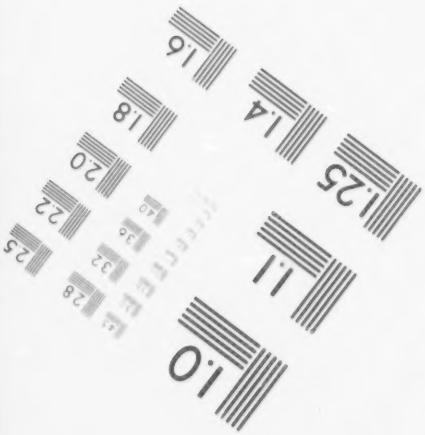
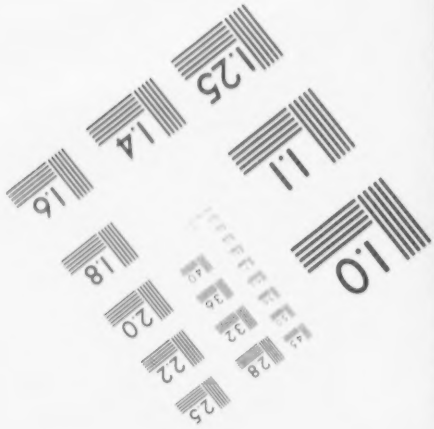
301/587-8202









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DOCUMENT RESUME

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INSTITUTION OCLC Online Computer Library Center, Inc., Dublin, Ohio.
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IDENTIFIERS *OCLC

ABSTRACT

Beginning this annual report is a letter to the OCLC membership from OCLC President and Chief Executive Officer, K. Wayne Smith. Statistical data are then presented in tables and/or graphs for OCLC programs and the system's financial status for fiscal years 1990/91 and 1989/90; the growth of the OCLC Online Union Catalog from 1971-1991 in terms of LC-MARC (Library of Congress-Machine Readable Cataloging), LC-created/member-input, and member-input records; and the number of participating member libraries. Information about OCLC's new, modular technological platform is then provided, including the new telecommunications network, the new online system (PRISM service), and the new reference system (EPIC and FirstSearch services). Strategic information alliances that OCLC is entering into with other organizations are also described. It is noted that these alliances will provide new products and services in such areas as preservation, electronic publishing, and document delivery. A month-by-month review of OCLC's major accomplishments during the fiscal year is followed by an overview of OCLC's services to libraries from 1972 to 1991, which is presented in a chronological table. Concluding the report are the 1990/91 financial report and the names of the OCLC Board of Trustees, officers, users council delegates, and network members. (MAB)

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OCLC Annual Report 1990/91

ED345744

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

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1991: 13,847 Libraries in 46 countries

1971 Serving libraries online for twenty years 1991

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"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Fiscal 1990/91 was a year of solid achievement for member libraries, networks, and OCLC. We greatly strengthened our traditional services, prepared to introduce some exciting new products and services in the coming year, celebrated our 20th year of providing online services to libraries and laid plans for the next 20, which we believe will be an exciting journey to the 21st century. At the heart of all these plans and activities is OCLC's abiding commitment to helping libraries work together to further access to the world's information and reduce the rate of rise of costs of that information.

In November 1990, we launched the new, $70 million telecommunications network. At this writing, we have installed more than 80 percent of the New Network, with more than 3,000 modem sites and 8,250 workstations converted to our new, high-speed, packet-switched, X.25 network. Installation continues on schedule and on budget and will be completed in December 1991.

Also in November, we began installation of the PRISM service. Our regional network affiliates have now trained more than 3,740 libraries in the PRISM service, and migration to the new system continues on plan and on budget, with all cataloging institutions scheduled to be on PRISM by April 1992. Member libraries are reporting a high level of satisfaction with PRISM, particularly with the productivity improvements it provides. As libraries are increasingly called upon to do more with less, this is very welcome news indeed.

During the year, we conducted field tests of The FirstSearch Catalog at 16 member libraries. FirstSearch is a low-cost, easy-to-use reference system that library patrons can use to search the OCLC Online Union Catalog as well as a variety of well-known reference databases. It is now operational and we expect it to be as revolutionary to the library's reference department as online cataloging has been to the technical services department.

Despite the impact of the current economic recession on library budgets, libraries continued to increase their use of OCLC's cataloging and resource sharing services. Libraries cataloged 34.9 million items via the OCLC System, including 21.7 million records online, and 13.2 million via tapeloading. In 1990/91, the OCLC Online Union Catalog grew by nearly 2 million records and 39 million location listings to a total of over 24 million records and 404 million locations. Libraries also conducted a record 5.4 million online interlibrary loans during the fiscal year. Only in reference services was demand less than expected.

Nevertheless, use of the EPIC service increased steadily during its first full year of operation, moving from 15th place in total billable hours in the information industry to ninth place. EPIC continues to receive excellent technical reviews and is now available on the Internet and MELVYL in addition to the OCLC network. It now has over 4,000 subscribers and 11 databases.

OCLC's financial position remains strong. Revenues in 1990/91 were $87.7 million, down $6.3 million from the previous year due largely to the sale of the Local Systems Division (which contributed $7.5 million in sales the prior year) and to the effect of the recession on library budgets. Contribution to equity was $1.4 million, down $4 million from the previous year as expected, due primarily to OCLC's incurring some $5.1 million in one-time, duplicate costs associated with having to operate two networks and two online systems during the conversion to the New Network and the PRISM service. Without these heavy duplicate costs, contribution to equity would have been at a record operating level.

In October 1990, OCLC assumed control of MAPS The MicrograPhic Preservation Service, Inc. This nonprofit corporation based in Bethlehem, Pennsylvania, is engaged in high-quality preservation microfilming for libraries, archives, and museums. MAPS offers a number of attractive business opportunities including a cost-effective way to help our member libraries deal with the growing problem of aging materials.

In May 1991, OCLC acquired 47 acres of land and two office/warehouse buildings on property adjacent to its headquarters in Dublin. A part of this purchase was financed with a portion of a $15 million industrial revenue bond issue from Franklin County, Ohio, which was completely subscribed to in two days. More than any other single thing I can point to, this demonstrates the financial community's confidence in OCLC and its future.

Total assets rose during 1990/91 to a record $121.2 million. Corporate equity increased to a record $62.4 million. During the year, OCLC issued $3.2 million in cataloging and resource sharing credits to member libraries, while continuing to hold the line on prices.

OCLC continued to forge new strategic alliances with other major organizations that will lead to new products and services and lower costs for member libraries. Faxon Research Services and OCLC began an important joint venture to provide a serials table-of-contents database and a document delivery service. OCLC and SilverPlatter formed an alliance in which SilverPlatter will produce, market, and distribute its compact disc database products as replacements for most of OCLC's Search CD450 series. OCLC and the American Association for the Advancement of Science made significant progress in their joint effort to introduce the first peer-reviewed electronic science journal.

OCLC has complex relationships across the library, education, and information communities that require collaboration, cooperation, understanding, and most of all, dialogue. That dialogue expanded during the year, particularly with regional networks, with advisory groups, and with the OCLC Users Council, all of whom provided helpful advice, insight, and perspective. The Board of Trustees worked closely with management on strategic directions, and a summary of OCLC's current strategic plan will be shared with the membership in the coming year.

OCLC management intends to continue its policies of open, candid discussions with all interested parties; of listening to our membership and networks; and of finding cost-effective solutions that reduce duplication, cut costs, add value, focus on our comparative advantages, and support our public purposes. There is simply too much that needs to be done and too few resources to take a less than community-wide perspective.

We at OCLC look back with pride at 20 years of online service to the library community, and we look forward with excitement to the next 20. Clearly, with your continuing support, OCLC's best years are yet to come.

K. Wayne Smith

K. Wayne Smith
President and Chief Executive Officer
October 1, 1991

Programs

	1990/91	1989/90
Participating libraries (includes serials union list and group access participants)	13,847	11,337
Dedicated terminals/workstations online	12,460	10,940
Books and other materials cataloged online	21.7 million	22.1 million
Books and other materials cataloged by tapeloading	13.2 million	5.8 million
Custom-printed catalog cards ordered	77 million	94 million
Online interlibrary loans transacted	5,395,120	4,909,035
Cataloging records added to database	1.93 million	1.91 million
Location listings in database for library materials	404 million	365 million
Catalog records generated on computer tape for subscribers	37.4 million	41 million
Online union serials lists supported	112 lists	98 lists
	9,617 libraries	8,019 libraries
Group Access arrangements	41 groups	34 groups
	4,586 libraries	4,145 libraries
CAT CD450 packages	550	418
Cataloging Micro Enhancer and CAT ME Plus packages	3,064	2,924
Interlibrary Loan Micro Enhancer packages	1,848	1,735
MICROCON and TAPECON projects under way	263	165
RETROCON and MICROCON*PRO projects under way	156	142
EPIC authorizations	4,136	2,896
Dewey Decimal Classification and Relative Index, Edition 20	5,466	7,112
Dewey Decimal Classification, Abridged Edition 12	17,884	—
Average daily transactions	2,736,793	2,712,319
Average transactions per second	66.45	65.26
Dial-access authorizations	4,017	2,883
Leased long lines	774	415
Miles of telephone lines	280,000	297,000
Satellite links	2	2

Financial

	1990/91	1989/90
Net member service revenues	$ 87,691,500	$ 93,999,800
Contribution to corporate equity	$ 1,431,000	$ 5,408,000
Total corporate equity/net worth	$ 62,386,600	$ 59,528,000
Total assets	$ 121,248,000	$ 103,497,700

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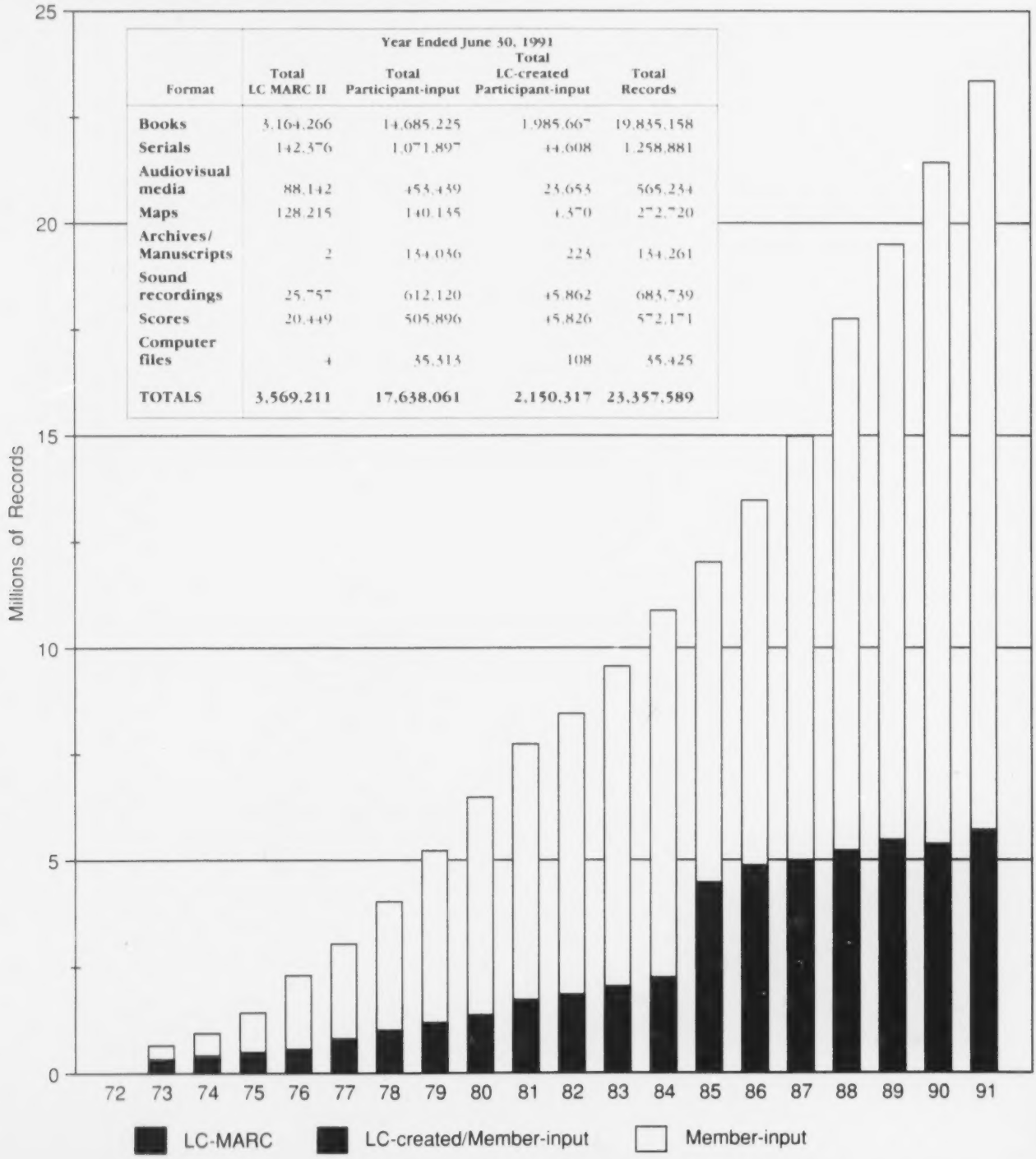
The OCLC Online Union Catalog is the world's largest and most comprehensive database of bibliographic information. Containing the merged catalogs of libraries around the world, it makes available to libraries and, ultimately, to their patrons resources that no single library could possess.

The database grows by approximately 2 million bibliographic records each year. At the end of the fiscal year, it held 23,357,589 records and listed 404 million location listings for those items.

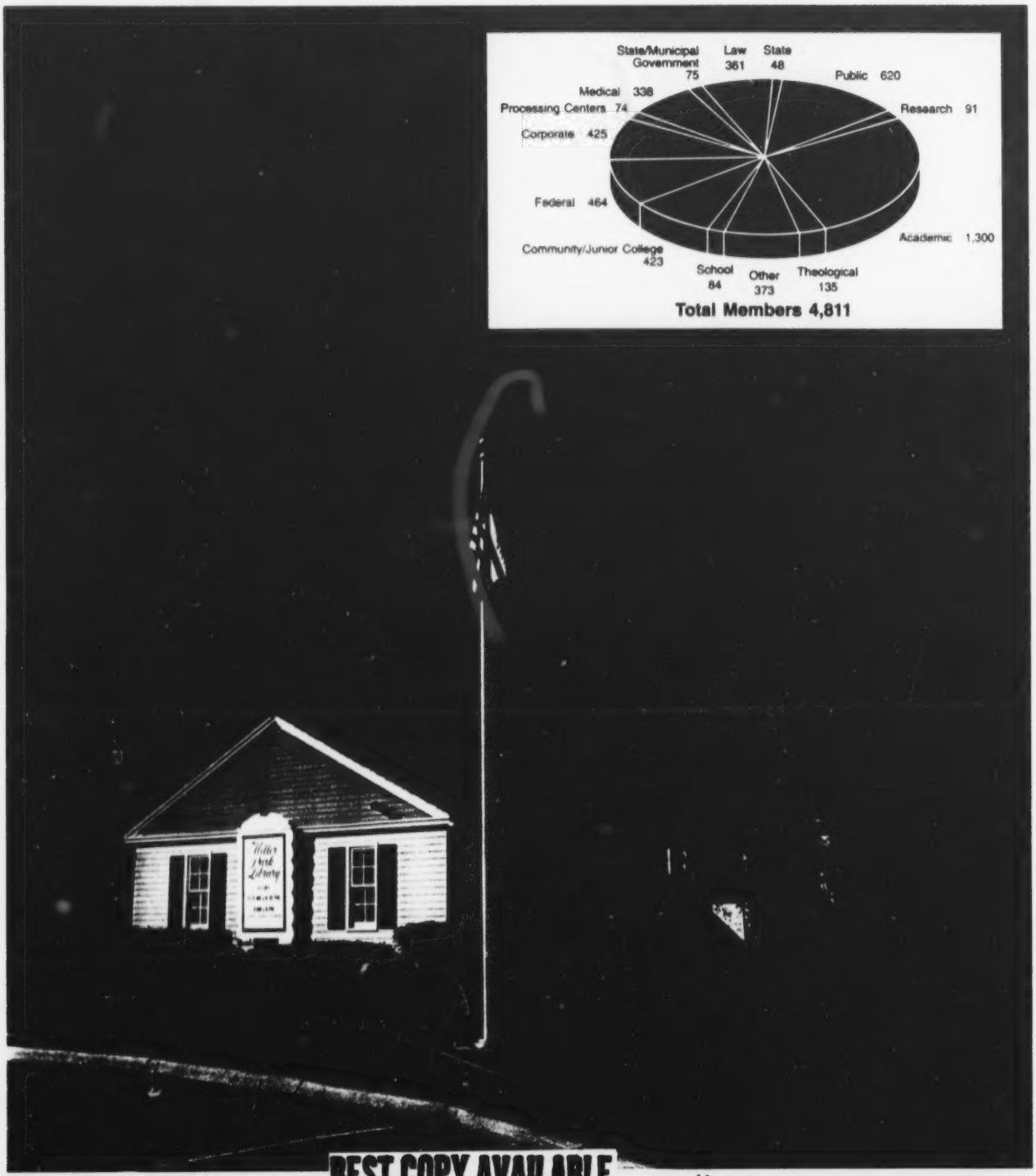
The OCLC Online Union Catalog 1971–1991

Format	Year Ended June 30, 1991 Total LC MARC II	Total Participant-input	Total LC-created Participant-input	Total Records
Books	3,164,266	14,685,225	1,985,667	19,835,158
Serials	142,376	1,071,897	44,608	1,258,881
Audiovisual media	88,142	453,439	23,653	565,234
Maps	128,215	140,135	4,370	272,720
Archives/ Manuscripts	2	134,036	223	134,261
Sound recordings	25,757	612,120	45,862	683,739
Scores	20,449	505,896	45,826	572,171
Computer files	4	35,313	108	35,425
TOTALS	3,569,211	17,638,061	2,150,317	23,357,589



General members are participating libraries* that agree to do all their current cataloging online or to supply that cataloging information to OCLC on computer tape. These General Members participate in OCLC's governance by electing delegates to the Users Council.

*Total participating libraries (13,847) includes participants in serials union lists and group access programs and all full cataloging members.



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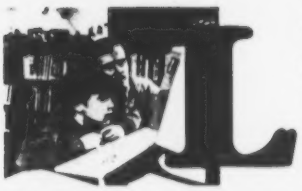
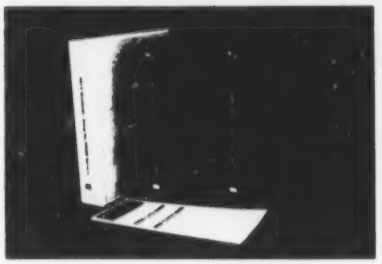
OCLC is building a new, modular technological platform that will reemphasize core services in cataloging and resource sharing. This platform will also enable OCLC to provide a steady stream of enhancements to existing products and services and to adjust its course rapidly in the dynamic environment of library automation in the 21st century. This modern platform includes a new, $70 million telecommunications network; a new, $30 million online system (PRISM service); and a new, $10 million reference system (EPIC and FirstSearch services). OCLC is also entering into strategic information alliances with other organizations that will provide new products and services in such areas as preservation, electronic publishing, and document delivery. These enhanced technological capabilities will provide libraries with powerful new tools for accessing the world's information.



Library professionals are enjoying easier editing, enhanced searching, and more effective processing of bibliographic information with OCLC's new online technical processing system, the PRISM service. The migration of member libraries to the PRISM service began in November 1990 and will be completed in April 1992. The enhanced capabilities and new computer system architecture of the PRISM service are designed to increase

productivity in libraries and increase access to information. Flexibility, modularity, and adherence to standards are key parts of the PRISM service, which provides a foundation upon which OCLC can build for the future.



Julia L. Harvey, OCLC Services Coordinator, PALINET, conducts a PRISM training session at PALINET headquarters in Philadelphia, Pennsylvania. Between November 1990 and April 1992, OCLC's 20 regional network affiliates will have conducted more than 4,400 training sessions for more than 10,000 librarians in connection with migration of member libraries from the first OCLC online system to the new PRISM service.

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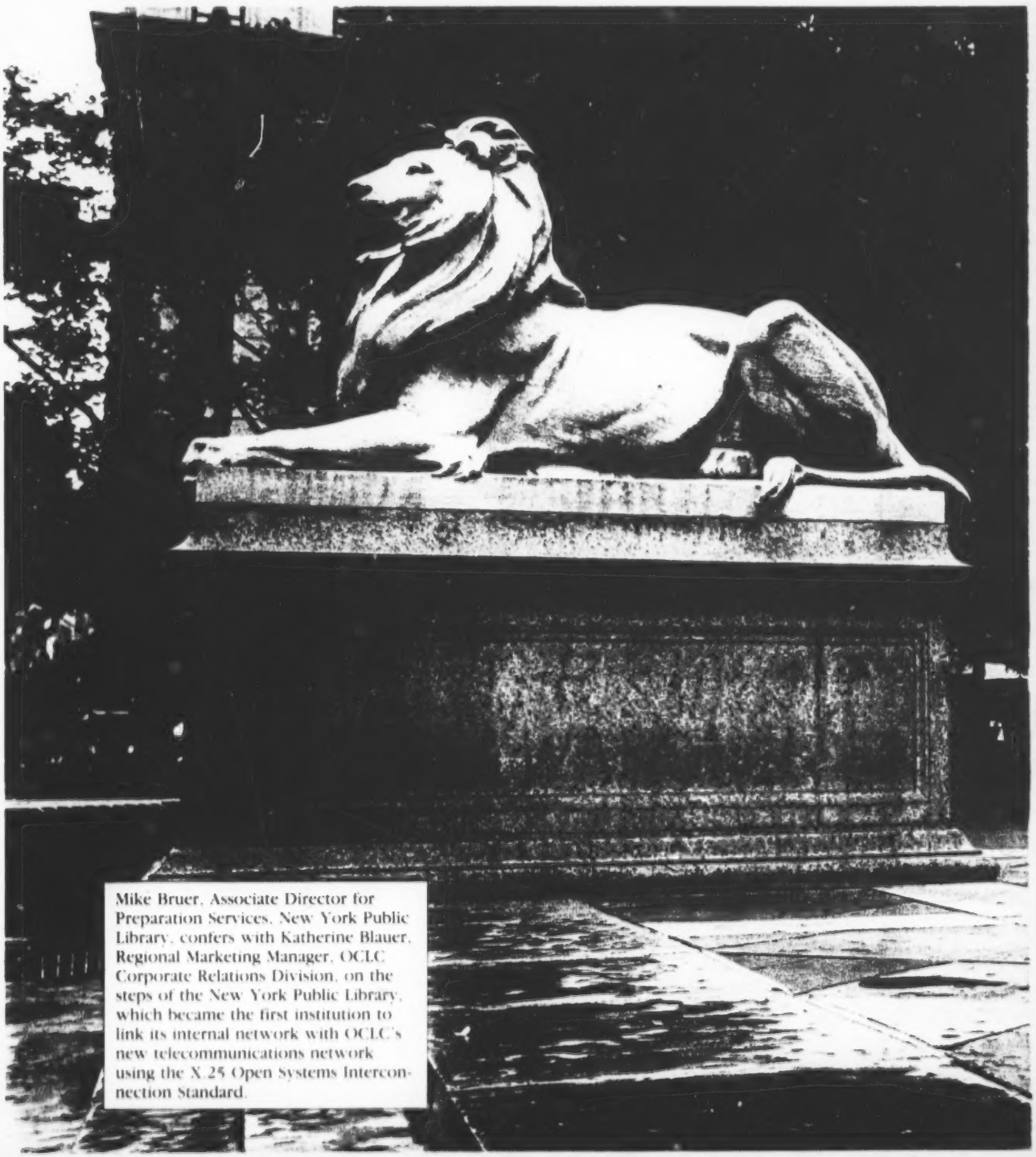
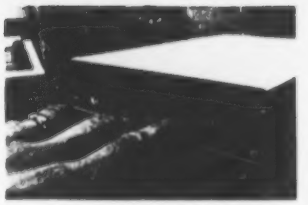
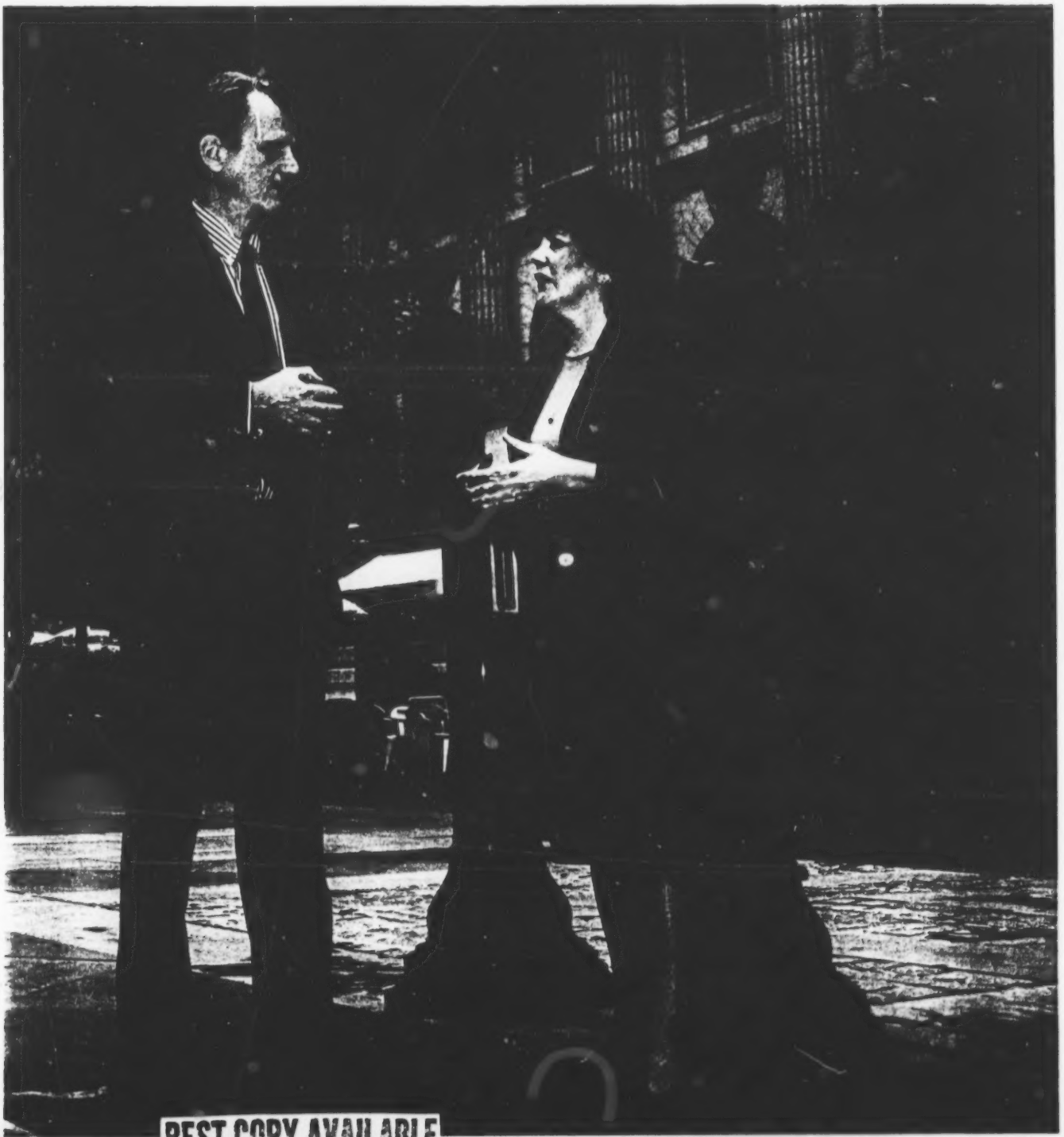
CLC is moving from its presently closed telecommunications environment with a centralized network configuration to a distributed X.25 packet switched network that supports the Open Systems Interconnection Standard. The new $70 million OCLC network is located in US Sprint central offices in 44 cities, with the main network node and management center located at OCLC in Dublin. The New Network's state-of-the-art technology enables



Mike Bruer, Associate Director for Preparation Services, New York Public Library, confers with Katherine Blauer, Regional Marketing Manager, OCLC Corporate Relations Division, on the steps of the New York Public Library, which became the first institution to link its internal network with OCLC's new telecommunications network using the X.25 Open Systems Interconnection Standard.

OCLC to link more easily with other networks in the education and scientific communities. It is fast, cost-effective, and able to accommodate the expanded transmission needs of the PRISM service and future applications. OCLC will complete the 15-month conversion of more than 10,000 terminals and over 3,000 modems to the New Network in December 1991.





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Both the library patron and the library professional can find the information they want with OCLC's new reference services, EPIC and FirstSearch. EPIC is a sophisticated online reference system that gives the reference librarian subject, keyword, and Boolean searching capabilities on a variety of databases, including the incomparable OCLC Online Union Catalog. The FirstSearch service is low-cost, easy-to-use, and a revolutionary

Genealogists Laverne and Raymond Papworth consult The FirstSearch Catalog for information on family names. The couple travel from their home in Rochester Hills, Minnesota, to the Allen County Public Library in Fort Wayne, Indiana, several times a year to do research using the rich collections of the Library's Historical Genealogy Department.

new concept in providing the general public with online reference information. Together, these electronic reference tools further access to the world's knowledge for people in the library, home, or office.

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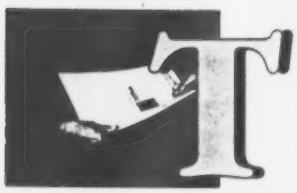
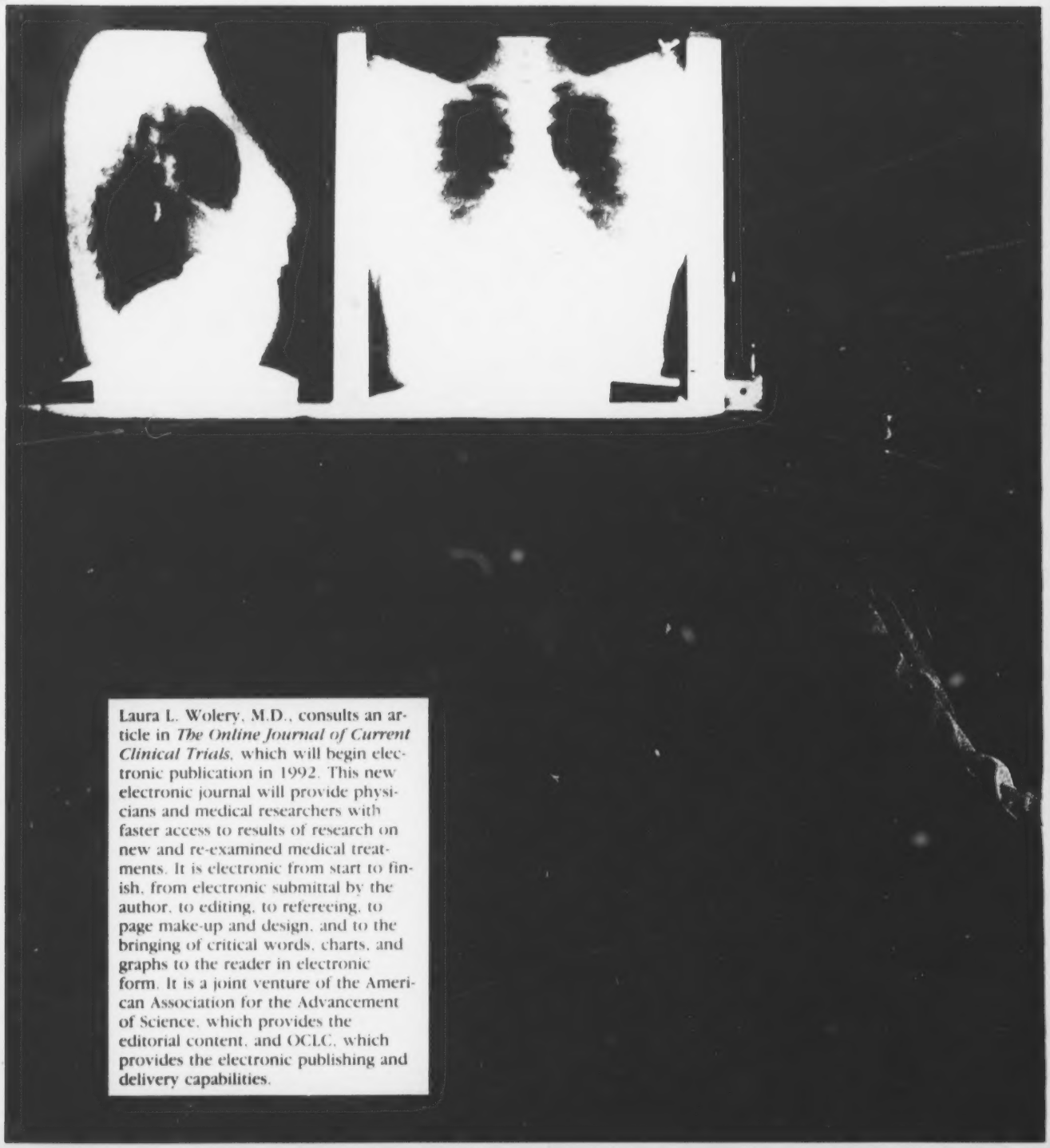
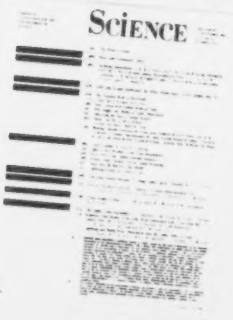


Through strategic information alliances, OCLC synergizes its capabilities with those of other unique organizations to develop new products and services in such areas as electronic publishing, preservation, and document delivery. *The Online Journal of Current Clinical Trials* is scheduled to begin electronic publication in 1992, with the American Association for the Advancement of Science providing editorial content and OCLC the electronic



Laura L. Wolery, M.D., consults an article in *The Online Journal of Current Clinical Trials*, which will begin electronic publication in 1992. This new electronic journal will provide physicians and medical researchers with faster access to results of research on new and re-examined medical treatments. It is electronic from start to finish, from electronic submittal by the author, to editing, to refereeing, to page make-up and design, and to the bringing of critical words, charts, and graphs to the reader in electronic form. It is a joint venture of the American Association for the Advancement of Science, which provides the editorial content, and OCLC, which provides the electronic publishing and delivery capabilities.

compilation, publishing, and delivery capabilities. Through an alliance with SilverPlatter, Inc., OCLC publishes compact disc subsets of data extracted from the OCLC Online Union Catalog. Through MAPS The MicrograPhic Preservation Service, OCLC provides high-quality preservation microfilming for archives, historical societies, libraries, and museums. With Faxon Research Services, OCLC is building a document delivery service.



This review highlights OCLC's major accomplishments during the fiscal year, July 1 through June 30. For additional information, contact the Office of Public Relations at (800) 848-8286 from locations in Ohio, (800) 848-5878 from other parts of the United States, (800) 533-8201 from Canada, and (614) 764-6000 from other parts of the world.

MAPS provides preservation microfilming.

The M386sx Workstation.

July 1990

- OCLC launched the PRISM service field test, with 19 libraries using the New Online System and making suggestions for improvements.
- OCLC added to the EPIC service Book Data—a database of standard bibliographic information on not-yet-printed and in-print books.
- On July 6, six months after the EPIC service was introduced, the Tucson Public Library became the 3,000th subscriber.
- The OCLC Office of Research awarded LISR Grants to researchers at The University of Michigan, the University of Iowa, and Texas Woman's University.
- The Upper Hudson Library System logged the 27 millionth online interlibrary loan on the OCLC ILL Subsystem.
- Boston Public Library input the 22 millionth bibliographic record in the OCLC Online Union Catalog.

August 1990

- Representatives of the Federal Bureau of Investigation visited OCLC to express appreciation for the help OCLC and volunteers from associated institutions provided in the Stephen Blumberg stolen-book case.
- OCLC and the Library of Congress began a two-year pilot project in which OCLC waives its membership requirement and all standard charges for bibliographic searching, cataloging, and training for LC's use of the OCLC System for arrearage and current cataloging.

September 1990

- The OCLC ILL Subsystem began providing access to materials from the Universal Serials and Book Exchange (USBE). USBE distributes original issues of back-date serial publications.
- A gateway was added to the EPIC service: Telebase Systems' EasyNet online information system of more than 450 databases.
- Keene State College logged the 28 millionth interlibrary loan request using the OCLC ILL Subsystem.
- The EPIC service began providing access to UMI/Data Courier's ABI/INFORM database.

October 1990

- OCLC assumed control of MAPS The MicrograPhic Preservation Service, a nonprofit organization that creates quality preservation microfilming for archives, historical societies, libraries, and museums.
- The National Library of Canada began accepting U.S. library requests for materials over the OCLC ILL Subsystem.
- OCLC established its "On the Front Line" award for reference librarianship.

November 1990

- OCLC began installing the new telecommunications network and the PRISM service, the New Online System.
- OCLC introduced the M386sx Workstation, which is more powerful than the M310 but has a comparable price.
- OCLC added Dissertation Abstracts, a UMI database, to the EPIC service.
- OCLC and Auto-Graphics introduced SharePac, a compact-disc resource-sharing system that provides access to the OCLC ILL Subsystem.
- OCLC began providing access to the EPIC service via the Internet.
- OCLC began converting to machine-readable form 66,500 titles from the Wellcome Institute for the History of Medicine, and 175,000 titles from the Guildhall Library, both located in London, England.

December 1990

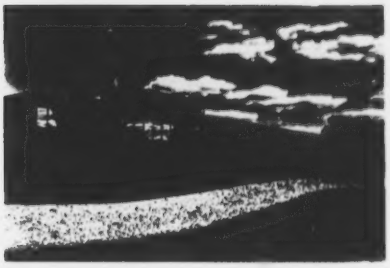
- The National Taiwan Normal University, Taipei, Taiwan, began using the OCLC TECHPRO Technical Processing service to acquire and catalog U.S. materials for its library.
- OCLC's TAPECON service processed 162,446 records for the National Library of Australia, the largest international project in the service's six-year history.
- The OCLC Information Center processed the 29 millionth online interlibrary loan using the OCLC ILL Subsystem.
- PNI (Pharmaceutical News Index) joined the EPIC service's list of databases.

January 1991

- Nihon University, Japan's largest private university, became the 27th OCLC member in Japan.
- OCLC added Business Dateline, published by UMI/Data Courier, to the EPIC service.

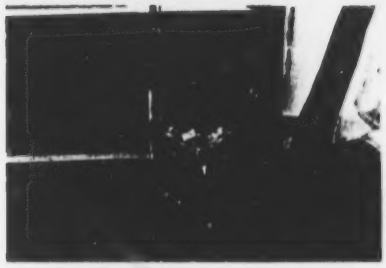
February 1991

- Michigan State University Libraries logged the 30 millionth ILL transaction.
- 16 libraries across the U.S. began a field test of The FirstSearch Catalog, an easy-to-use online reference service designed for library patrons.
- The University of Illinois input the 23 millionth record in the OCLC Online Union Catalog.
- The Library of Congress and OCLC began a pilot project in which 10 volunteer libraries use new subject headings to enrich LC records for works of fiction.
- OCLC purchased office buildings and a large warehouse on 47 acres adjacent to OCLC headquarters in Dublin, Ohio. The OCLC annex brought all Dublin staff to one location and will accommodate future expansion.



The OCLC annex.

David Bishop, Librarian, University of Illinois at Urbana-Champaign.



Preservation programs and research projects are under way.

March 1991

- The Book Return database, the inventory of stolen materials confiscated by the FBI and used as evidence in Stephen Blumberg's trial, was mounted on the EPIC service to allow libraries to determine if any of the stolen materials were from their collections.
- The French Ministry of National Education for Youth and Sports, Department of University Planning and Development, and two collateral organizations agreed to expand use of OCLC cataloging and resource-sharing services in French university libraries.

April 1991

- OCLC enhanced the Name-Address Directory to accommodate fax information; allow for identification of Group Access and Union List participants; and identify ILL document suppliers, Reciprocal Faculty Borrowing Program participants, and preservation offices.
- The University of California's MELVYL system began making the EPIC service available to its users.
- OCLC introduced FULLMARC, a batch conversion service that upgrades incomplete Machine Readable Cataloging (MARC) records to full MARC format.
- The Shawnee Library System input the 31 millionth request for materials over the OCLC ILL Subsystem.
- RONDAC (Regional OCLC Network Directors Advisory Committee) made results of its Preservation Needs Assessment Survey available.
- New headquarters of MAPS The MicrograPhic Preservation Service was dedicated on April 30 in Bethlehem, Pennsylvania.

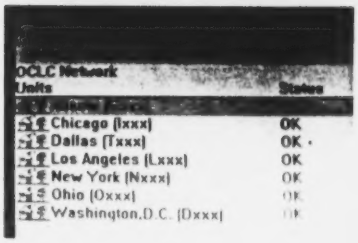
May 1991

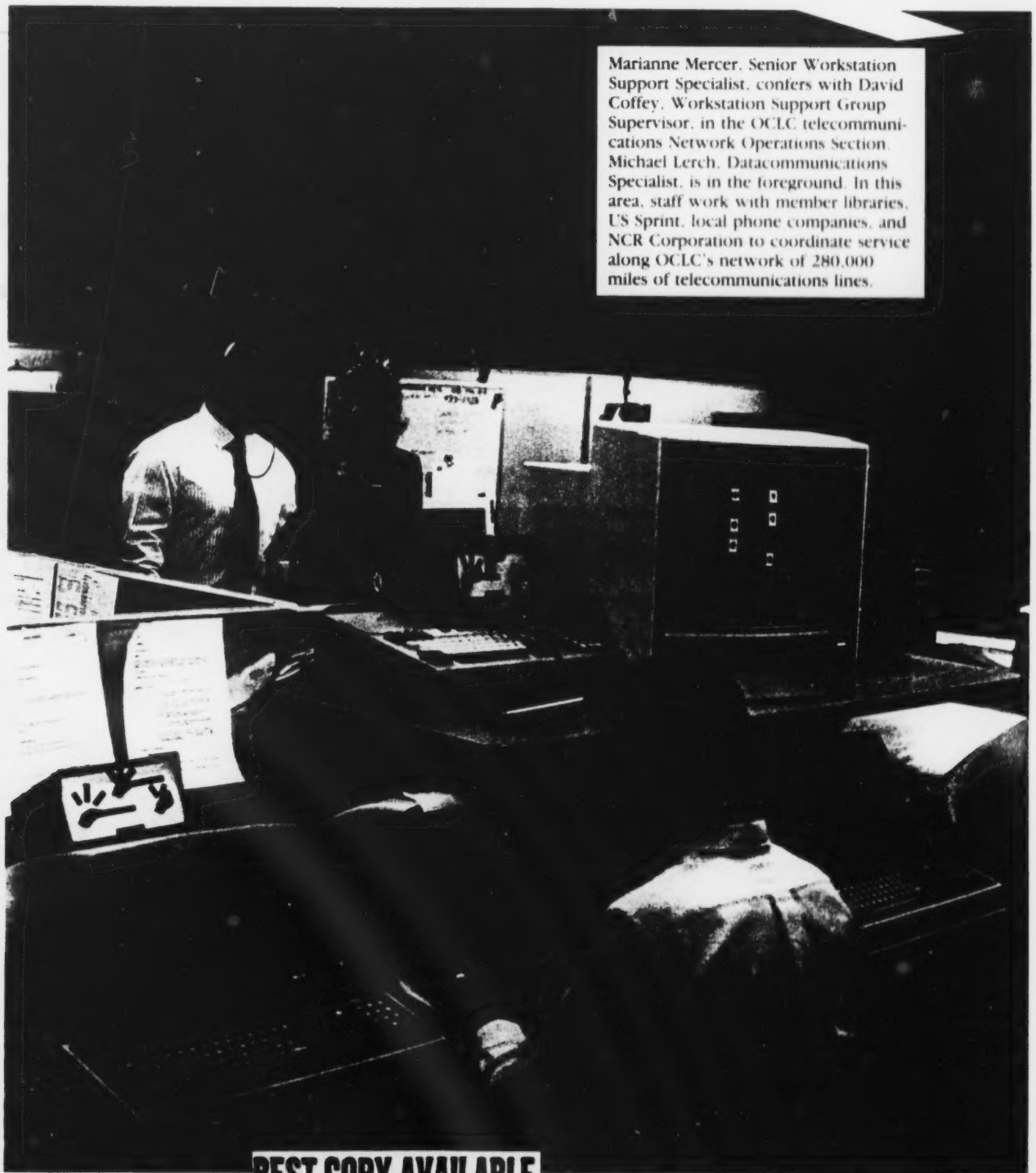
- The San Diego County Law Library became the first FirstSearch subscriber.
- The EPIC service began providing access to the Consumers Index to Product Evaluations and Information Sources database published by Pierian Press.
- The Ohio State University Libraries and the OCLC Office of Research began a research project to determine the extent and nature of book deterioration in Ohio libraries.
- OCLC completed a $15 million industrial revenue bond project.

June 1991

- OCLC introduced a new compact disc, DiscLit: American Authors, which provides the full text of 143 volumes of Twayne's United States Author Series plus more than 140,000 bibliographic citations selected from the OCLC database.
- Following approval by the OCLC Board of Trustees, the OCLC Users Council adopted a revised algorithm to determine the allocation of the 60 Users Council delegates. The new algorithm places greater emphasis on contribution to the OCLC Online Union Catalog.
- OCLC created a market research panel of volunteer libraries to survey and obtain opinion research to help guide product and program development.
- Cornell University and OCLC began the Chemical Online Retrieval Experiment, a research project to develop and test an online electronic library system.
- OCLC Forest Press created a visual-aid instruction kit for instructors and workshop leaders who teach the use of the Dewey Decimal Classification.
- The University of Louisville logged the 32 millionth interlibrary loan transaction on the OCLC ILL Subsystem.
- OCLC began planning a retrospective conversion project for 600,000 bibliographic records from The Queen's University of Belfast.
- SilverPlatter and OCLC formed a strategic alliance in which SilverPlatter will produce, market, and distribute its compact disc database products as replacements for most of OCLC's Search CD450 compact disc database products.
- Blackwell North America enhanced 700,000 subject headings in the OCLC Online Union Catalog.
- The New York Public Library became the first institution to link its internal network with the new OCLC telecommunications network, using the X.25 Open Systems Interconnection standard.
- The OCLC Office of Research awarded LISR Grants to researchers at the School of Information Studies, Syracuse University, and the School of Library and Information Science, University of Pittsburgh.
- OCLC added GeoRef, a bibliographic database of more than 1.6 million earth science references, to EPIC.
- The 24 millionth bibliographic record was tapeloaded into the Online Union Catalog in a batch of records contributed by the University of Pennsylvania.
- The Government Printing Office's "Monthly Catalog of United States Government Publications" from July 1976 to present became available via the EPIC service.
- During the American Library Association Annual Conference in Atlanta, more than 900 library leaders attended the OCLC President's Luncheon and helped celebrate OCLC's 20 years of online service to libraries.

In its 20th year of online services to libraries, OCLC has renewed its commitment to libraries, to librarianship, and to furthering access to the world's information. OCLC is an information-based organization with a tremendous number of opportunities to choose from and an enduring tradition of cooperation, collaboration, and resource sharing to build on. It is with great pride in the past 20 years that OCLC rededicates itself to the highest standards of quality and service as it enters its third decade of online service to libraries.





Marianne Mercer, Senior Workstation Support Specialist, confers with David Coffey, Workstation Support Group Supervisor, in the OCLC telecommunications Network Operations Section. Michael Lerch, Datacommunications Specialist, is in the foreground. In this area, staff work with member libraries, US Sprint, local phone companies, and NCR Corporation to coordinate service along OCLC's network of 280,000 miles of telecommunications lines.

BEST COPY AVAILABLE

Serving libraries online for twenty years

Increasing access to information

The online revolution in library service began on August 26, 1971, with the activation of the OCLC Online Union Catalog and Shared Cataloging System at the Vernon R. Alden Library at Ohio University, Athens, Ohio. In the 20 years since then, the OCLC network has grown from 54 libraries in Ohio to more than 13,847 libraries in 46 countries and has provided participating libraries with more than

1972

3 Networks join OCLC: CCLC NELINET PRLC

Spiras LTE Terminal in use

Standards for Input Cataloging issued

54 libraries

Frederick G. Kilgour, OCLC Founder — served as OCLC's first President from 1967 to 1980

OCLC has 15 employees

■ *Total Assets $320,000*

▲ *Corporate Equity $71,000*

1973

M100 Terminal introduced

Extended search function is activated — Users may now retrieve and view up to 256 database entries under a specific search key

1974

Dial-access

4 Networks join OCLC: FAUL FEDLINK AMIGOS PALINET

CONSER

CONSER (Cooperative ONline SERials) Program begins building database of authoritative serials records (500,000 by 1991)

1 million *records in database*

1975

OCLC offices on Kinnear Road, Columbus, Ohio

First Sigma 9 is installed on Online System

4 Networks join OCLC: MLNC ILLINET SOLINET SUNY

1976

5 Networks join OCLC: BCR CAPCON INCOLSA MLC WILS

Implementation of MARC II formats in addition to Books: Audio-Visual, Manuscripts, Maps, Music Scores, and Sound Recordings

Western Service Center (PACNET) established

2 million

1977

Ohio College Library Center becomes OCLC, Inc.

New governance structure adopted

Membership and voting privileges extended to libraries outside Ohio

4 Networks join OCLC: PACNET MINITEX NEBASE MRLN

3 million

1978

OHIONET established

OCLC Users Council meets for first time

Office of Research formed

OCLC has 303 employees

4 million

1979

ILL Subsystem

Groundbreaking for new headquarters building in Dublin, Ohio

Canadian Library is first international participant

OCLC libraries in all 50 states

5 million

1980

Rowland C. W. Brown becomes OCLC's 2nd President

2,268 libraries

Online Name-Address Directory activated

7 million

6 million

OCLC database converted to AACR2 form

Online retrieval by Government Document number is added

Serials Union List

Holdings display alphabetically by state or region

1981

OCLC, Inc. becomes OCLC Online Computer Library Center, Inc.

Acquisitions Subsystem

8 million

Total Assets $65,906,000

OCLC Europe formed

Corporate Equity $15,219,000

$862 million in products and services. In the next 20 years, OCLC will continue the online revolution in library service by moving as quickly as it can toward the ultimate goal of providing information to people in the form required, when and where needed, and at an affordable price.

SERVING LIBRARIES ONLINE FOR 20 YEARS

1982

University of Minnesota becomes first tapeloader

LSP

Linked Systems Project (LSP) begins

9

1983

USNP

United States Newspaper Program

Merge Holdings

Merge Holdings capability is activated

10

LS/2000 system launched

LS/2000

ILL Subsystem is linked to Name-Address Directory

1984

Major Microforms

Uninterruptible Power System (UPS) installed for Online System

11

Workstation introduced

ILL ME

Interlibrary Loan MicroEnhancer available

Enhance Program

ILL_5

5 millionth Interlibrary Loan

1985

MICROCON

MICROCON introduced

12

23

1986

RONDAC established

15 14 13

2nd AACR2 conversion of the database

7,900 libraries

First Annual Review of Research is published

TAPECON

GAC

TAPECON and Group Access Capability (GAC) introduced

ILL_{10}

1987

CJK350

CJK350 system for cataloging Chinese, Japanese, and Korean materials begins operation

17 16

Online access to LC subject authority records

First Japanese member library

Search CD450

Search CD450 introduced

ILL_{15}

1988

OCLC Forest Press publishes 20th edition of the Dewey Decimal Classification

18

LSP shares authority records

CAT CD450

CAT CD450 introduced

Collection Analysis

OCLC/AMIGOS Collection Analysis Systems available

1989

Dr. K. Wayne Smith becomes OCLC's 3rd President

20 19

10,384 libraries

Patent for Graph-Text received

ILL_{20}

1990

The American Association for the Advancement of Science (AAAS) and OCLC begin a joint electronic publishing venture

22 21

Divestiture of Local Systems Division

New Network

Omaha Project helps FBI return stolen rare books

LC Pilot Project for cataloging backlog

EPIC Service

PRISM Service

GOVDOC

MAPS

ILL_{25}

1991

24 23

Total Assets $121,248,000

FirstSearch

OCLC 13,947 libraries

Corporate Equity $62,386,600

OCLC has 800 employees

Workstation introduced

ILL_{30}

Reducing the rate of rise of information costs

Serving libraries online for twenty years

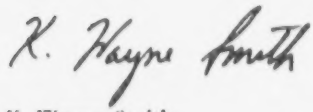
Financial Review and Management Commentary
Independent Auditors' Report, Consolidated Financial Statements and Notes to Consolidated Financial Statements

The Management of OCLC Online Computer Library Center, Inc. is responsible for the accompanying financial statements. The statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts which represent the best estimates and judgments of management. Other financial information in this report is consistent with that in the financial statements.

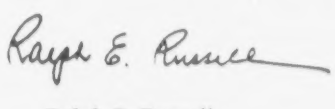
To meet this responsibility, management maintains a strong system of internal accounting control and evaluates it continually. Monitoring of compliance is being further enhanced through operational reviews of OCLC offices located outside its headquarters in Dublin, Ohio.

While no system can assure elimination of all errors and irregularities, the broader process has been designed to provide reasonable assurance that assets are safeguarded, policies and procedures are followed, and transactions are properly executed and reported. In management's opinion the internal controls provide a basis for the preparation of reliable financial statements.

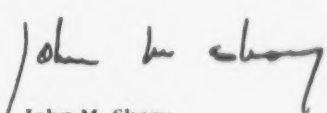
The Audit Committee of the Board, consisting entirely of outside trustees, meets regularly with management and independent auditors (Deloitte & Touche) and reviews audit plans and results as well as management's actions taken to discharge responsibilities for accounting and internal controls.



K. Wayne Smith
President and Chief Executive Officer
OCLC



Ralph E. Russell
Chairman, Audit Committee
OCLC Board of Trustees



John M. Shary
Vice President, Finance and Treasurer
OCLC

While a nonprofit corporation, OCLC has always held the belief that it must maintain a strong financial base from which to pursue its broad public purposes. Accordingly, this financial review speaks both to member libraries, who participate in OCLC in order to reduce the rate of rise of library costs and to increase access to information, and to traditional financial audiences, who help to fund OCLC's growth.

OCLC's operating results for the fiscal year ended June 30, 1991, were influenced by four major factors: (1) the recessionary impact on member library budgets; (2) $5.1 million in one-time duplicate costs associated with implementing the new telecommunications network (New Network) and new online sytem (PRISM service); (3) record capital expenditures; and (4) sale of the Local Library Systems Division to Ameritech Information Services.

Fiscal 1990/91 was a difficult year for libraries, particularly public and state-supported libraries. Cuts of 5-15 percent in library budgets were common as most states struggled with growing budget deficits. These cuts manifested themselves in less-than-expected demand for some OCLC services, particularly in discretionary spending areas such as reference services and retrospective conversion. Despite the double impact of reduced revenues and heavy duplicate costs, however, OCLC still managed to achieve its major financial goals.

Net service revenues in 1990/91 were $87.7 million, down from $94.0 million the previous year. This reduction was due largely to the planned sale of the Local Systems Division, which accounted for approximately $7.5 million of the prior year's sales, and to the adverse impact of the recession on library spending. The Local Systems Division's sale is in line with management's announced strategy to refocus on OCLC's core businesses in cataloging and resource sharing, to eliminate marginal operations, and to build a new core business in reference services. Despite the recessionary reductions in member library budgets, core service revenues still increased by 2 percent.

Contribution to corporate equity was $1.4 million, down from $5.4 million the previous year, a decrease expected and forecast last year. This operating result is still very strong considering the absorption of $5.1 million in one-time, duplicate costs associated with having to operate two systems and two telecommunications networks this year during the implementation transition. OCLC expects to incur an additional $2.5 million in duplicate costs in the coming fiscal year before implementation of the New Network and PRISM is completed. These duplicate costs will again negatively impact contribution to equity in 1991/92, which is budgeted close to breakeven in light of the continuing library budget crisis and these continuing duplicate costs.

Capital expenditures for the year were some $24 million, a record for OCLC. Most of these funds were ex-

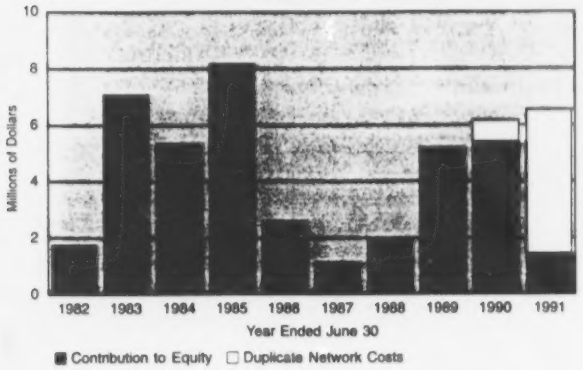
Ten Year Review and Selected Financial Data

Consolidated (amounts in thousands)	Ten-year Total
Financial Results:	
Net Member service revenues	$ 736,310
Operating expenses	694,560
Other income (expenses)	(1,700)
Contribution (for capital and growth requirements)	40,050
Depreciation and amortization	85,710
Operating cash flow (contribution plus depreciation)	125,760
Capital expenditures	104,230
Financial Position:	
Current assets	
Current liabilities	
Working capital	
Fixed assets—net	
Total assets	
Long-term debt	
Corporate equity	
Performance Comparison:	
Current ratio	
Acid test	
Long-term debt/Member equity	
Accounts receivable/Average days sales **	
Annual growth in service revenues	
Compound growth (from 1981)	11.1%
Annual growth in member equity	
Compound growth (from 1981)	15.2%
Debt service coverage	
Employees (end of year)	

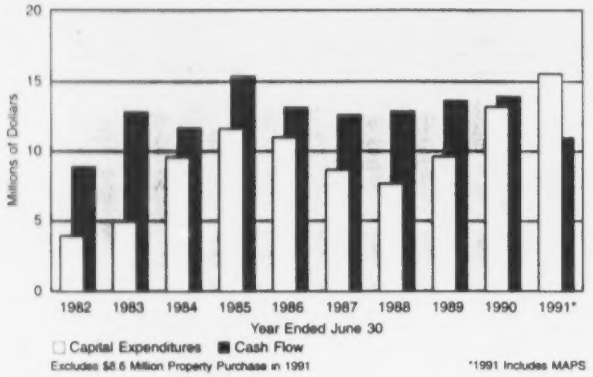
*Does not include $5.6 million extraordinary gain on defeasance of 1979 Industrial Revenue Bond debt.

**Standard terms: Varying prompt discount rates, net payable 45 days from invoice.

Effect of Duplicate Network Costs on Contribution to Equity



Capital Expenditures and Cash Flows

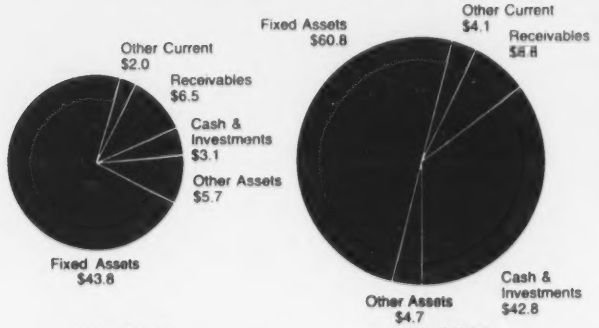


pended on new equipment for PRISM and the New Network. This equipment provides much more cost-effective technology than the equipment it replaces. It also provides a modern, modular platform far better suited for adding enhancements and new products and services. Some $8 million was utilized to acquire office/warehouse facilities situated on 47 acres of land contiguous to OCLC's present facility. The additional office space has already been used to relocate some 200 staff positions from remote, leased facilities. Longer term, this acquisition will allow for future growth as well as increase the value of OCLC's existing facility.

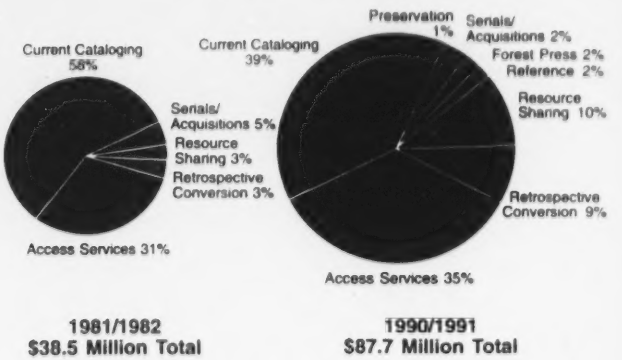
OCLC has invested approximately $100 million in capital improvements over the past ten years. Capital spending has been particularly heavy over the past two years and will exceed $10 million next year. After next year, however, the rate of capital spending will decline

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
$ 87,690	$ 94,000	$ 94,820	$ 85,380	$ 84,290	$ 78,630	$ 69,070	$ 56,120	$ 47,770	$ 38,540
88,610	89,660	89,830	83,480	82,230	75,290	60,850	49,010	40,240	35,360
2,350	1,070	210	60	(920)	(750)	(60)	(1,760)	(460)	(1,440)
1,430	5,410	5,200	1,960	1,140	2,590*	8,160	5,350	7,070	1,740
9,540	8,500	8,410	10,890	11,460	10,520	7,210	6,320	5,730	7,130
10,970	13,910	13,610	12,850	12,600	13,110*	15,370	11,670	12,800	8,870
24,130	13,160	9,600	7,640	8,650	10,990	11,610	9,570	4,950	3,930
55,740	54,810	52,590	51,370	47,880	41,520	34,430	28,550	22,640	11,620
14,910	14,650	13,510	16,340	18,450	17,820	12,950	10,270	9,870	6,140
40,830	40,160	39,080	35,030	29,430	23,700	21,480	18,280	12,770	5,480
60,800	44,330	40,500	39,800	43,670	48,840	46,270	42,930	41,400	43,770
121,250	103,500	97,540	95,710	96,260	94,900	87,540	77,200	71,830	61,120
42,670	27,920	28,520	29,090	29,610	30,100	35,900	36,490	37,140	37,680
62,390	59,530	54,040	48,890	46,900	45,760	37,540	29,380	24,030	16,960
3.74	3.74	3.89	3.14	2.60	2.33	2.66	2.78	2.29	1.89
3.48	3.44	3.58	2.82	2.40	2.02	2.17	2.29	1.98	1.57
0.68	0.47	0.53	0.59	0.63	0.66	0.96	1.24	1.55	2.22
35	36	40	33	37	43	38	39	49	60
-6.7%	-0.9%	11.0%	1.3%	-7.2%	13.8%	23.1%	17.5%	24.0%	25.7%
4.8%	10.2%	10.5%	4.3%	2.5%	21.9%	27.8%	22.2%	41.7%	11.4%
2.9	5.0	4.9	4.5	4.5	4.7	5.3	4.3	4.7	3.5
831	866	884	885	886	838	802	678	583	447

Ten Year Asset Comparison



Ten Year Revenue Comparison



substantially to historical levels. Indeed, with the installation of the New Network and PRISM, OCLC will have completely rebuilt the foundation for its core businesses, and this foundation should last well into the next century.

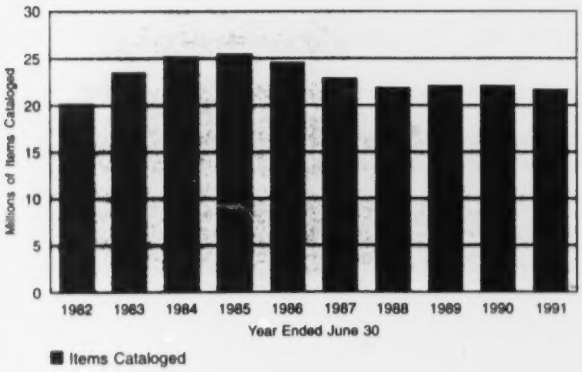
On October 11, 1990, OCLC assumed control of MAPS The MicrograPhic Preservation Service, a nonprofit corporation based in Bethlehem, Pennsylvania. MAPS is engaged in high-quality preservation microfilming for libraries, archives, and museums. In addition to the new business opportunities MAPS provides, its mission of preserving aging library materials, which otherwise would not be available for scholarly use, is vitally important to OCLC's member libraries, and they have reacted favorably to the actions.

The Ten Year Review and Selected Financial Data accompanying this commentary reflect the continuing growth in OCLC's user base, in the database, and the continuing improvement in OCLC's overall financial position. Original cataloging remains strong with over 1.9 million items added to the database that now contains over 24 million records and over 400 million holdings. The number of participating libraries and interlibrary loans continues to set new records. Reference services continue to grow with the addition of significant, new databases to EPIC; the addition of FirstSearch, an online reference tool for end users; and the development of significant enhancements such as a serials table-of-contents database, a document delivery service, and the first peer-reviewed electronic science journal.

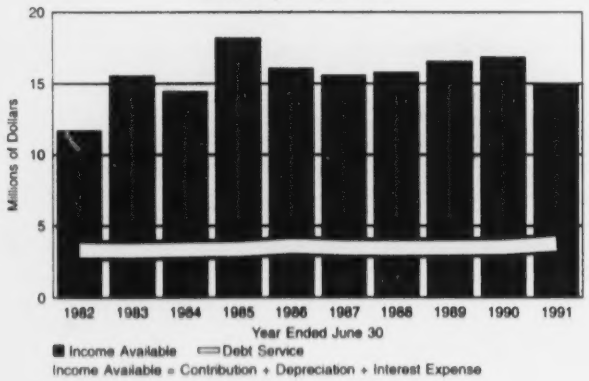
Financially, OCLC remains strong. New library services provide a stronger revenue base. Despite significant investments in land, buildings, and computers over the past ten years, fixed assets as a percentage of total assets has decreased, and OCLC is essentially more liquid. While internal working capital alone was adequate to fund needs, a highly successful $15 million tax-exempt bond offering provided new low-interest funds to supplement OCLC's internally generated funds. The quality of OCLC's receivables is highlighted by the fact that while OCLC has provided more than $735 million of products and services in the past 10 years, it has experienced less than $75,000 in losses due to users' inability to pay.

As can be seen from the chart showing cumulative increases in inflation and OCLC prices over the last five years, OCLC continues to provide increasing value to its member libraries for their money. When installation of the New Network and PRISM are completed within the next twelve months, OCLC will be well-positioned to develop enhancements, new products and services, and to take advantage of new opportunities to better serve its members with even greater value at lower cost. In an age when libraries must do more with less, this is perhaps the best contribution OCLC can make and the best assurance of its financial viability.

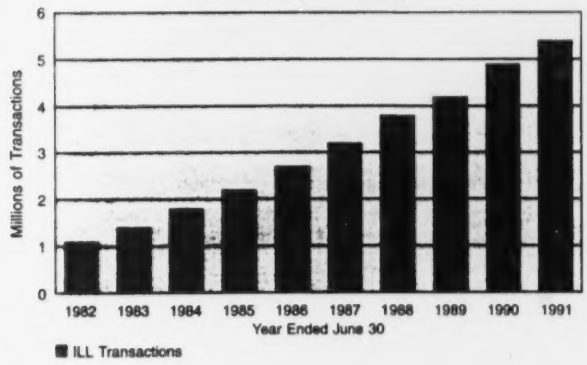
Online Cataloging



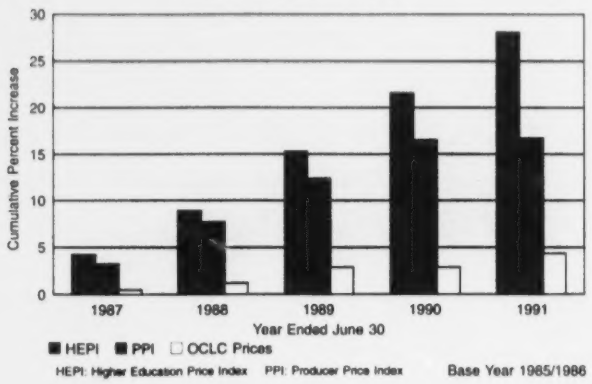
Income Available for Debt Service and Debt Service



Resource Sharing
Interlibrary Lending



Percent Change in HEPI, PPI, and OCLC Prices



Consolidated Financial Statements

For the Years Ended June 30, 1991 and 1990 and Independent Auditors' Report

155 East Broad Street
Columbus, Ohio 43215-3650
Telephone: (614) 221-1000
Facsimile: (614) 229-4647

Independent Auditors' Report

To the Board of Trustees of OCLC Online Computer Library Center, Incorporated:

We have audited the accompanying consolidated balance sheets of OCLC Online Computer Library Center, Incorporated and its subsidiaries as of June 30, 1991 and 1990, and the related consolidated statements of revenues, expenses, and corporate equity and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation and its subsidiaries at June 30, 1991 and 1990, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte + Touche

August 12, 1991

Consolidated Balance Sheets

June 30, 1991 and 1990

Assets	Notes	1991	1990
CURRENT ASSETS:			
Cash and cash equivalents	1	$ 16,932,100	$ 7,774,200
Short-term investments	1	7,092,500	20,615,600
Marketable securities	1	18,779,300	11,577,900
Accounts receivable		8,125,400	9,179,200
Other receivables		686,100	1,269,700
Inventories	1,2,7	3,162,600	3,431,500
Prepaid insurance and other		964,900	897,000
Costs and earnings in excess of billings on contracts in process	1,7		63,300
Total current assets		55,742,900	54,808,400
FIXED ASSETS—At cost, less accumulated depreciation and amortization (1991—$54,052,900; 1990—$50,715,300)	1,3,4,7,8	60,798,000	44,330,000
OTHER ASSETS:			
Bond trust accounts:	4		
Bond reserve fund		3,324,800	3,352,900
Other trustee held funds		278,400	155,700
Accrued interest receivable (trustee held funds)		106,500	119,600
Deferred bond costs—less accumulated amortization (1991—$437,000; 1990—$371,900)	1,4	997,400	731,100
Total other assets		4,707,100	4,359,300
TOTAL		$121,248,000	$103,497,700

Liabilities and Corporate Equity	Notes	1991	1990
CURRENT LIABILITIES:			
Current portion of long-term debt	4	$ 671,300	$ 600,000
Accounts payable		2,866,400	5,673,300
Accrued liabilities:	1		
Real estate taxes		384,200	306,800
Employee benefits and other		7,071,000	4,434,600
Advance subscription payments	1	3,248,400	2,727,400
Unearned revenue	1	670,000	833,300
Billings in excess of costs and earnings on contracts in process	1,7		68,500
Total current liabilities		14,911,300	14,643,900
LONG-TERM DEBT:	4		
Revenue bonds		42,920,000	28,520,000
Other long-term debt		416,300	
Total long-term debt		43,336,300	28,520,000
Less current portion		671,300	600,000
Total long-term debt—less current portion		42,665,000	27,920,000
DEFERRED COMPENSATION	6	1,285,100	1,405,800
CORPORATE EQUITY	1,8	62,386,600	59,528,000
TOTAL		$121,248,000	$103,497,700

See Notes to Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses, and Corporate Equity

For the Years Ended June 30, 1991 and 1990

	Notes	1991	1990
MEMBER SERVICE REVENUES	1,8	$89,964,600	$96,163,900
SUBSCRIPTION AND OTHER DISCOUNTS		(2,273,100)	(2,164,100)
NET MEMBER SERVICE REVENUES		87,691,500	93,999,800
OPERATING EXPENSES:			
Salaries, wages and related fringe benefits	1	33,617,300	35,024,100
Telecommunications and computer support		31,894,400	31,368,400
Depreciation and amortization	1	9,542,800	8,499,200
Building and utilities		2,481,800	3,054,900
Administrative		11,070,600	11,711,600
Total operating expenses		88,606,900	89,658,200
EXCESS (DEFICIENCY) OF NET MEMBER SERVICE REVENUES OVER OPERATING EXPENSES		(915,400)	4,341,600
OTHER INCOME (EXPENSE):			
Interest and dividend income:			
Trustee held funds		508,600	376,600
Investments and marketable securities		2,921,000	3,463,000
Interest expense	4	(3,081,700)	(2,954,800)
Miscellaneous—net	1,7	1,998,500	181,600
Total other income—net		2,346,400	1,066,400
EXCESS OF REVENUES OVER EXPENSES	1	1,431,000	5,408,000
CORPORATE EQUITY—Beginning of year		59,528,000	54,038,500
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	1	(68,000)	81,500
BEGINNING EQUITY OF CONTROLLED ENTITY	8	1,495,600	
CORPORATE EQUITY—End of year	1	$62,386,600	$59,528,000

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended June 30, 1991 and 1990

	1991	1990
CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 1,431,000	$ 5,408,000
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	9,542,800	8,499,200
Loss (gain) on sale of short-term investments and marketable securities	(1,146,600)	1,300
Loss (gain) on sale of fixed assets	(549,000)	126,000
Changes in assets and liabilities:		
Decrease in receivables	1,722,000	950,800
Decrease (increase) in inventories	279,600	(158,800)
Decrease in other current assets	4,500	159,300
Increase (decrease) in accounts payable	(2,966,300)	1,276,800
Increase (decrease) in accrued liabilities and other	2,777,700	(971,900)
Decrease in deferred compensation	(120,700)	(61,200)
Cash provided by operating activities	10,975,000	15,229,500
CASH PROVIDED (USED) BY FINANCING ACTIVITIES:		
Proceeds from revenue bonds issued	15,000,000	
Bond issuance costs	(331,400)	
Payments on revenue bonds	(600,000)	(565,000)
Proceeds from other long-term debt	297,400	
Decrease (increase) in bond trust accounts	(81,500)	26,300
Payments on other long-term debt	(85,000)	
Cash provided (used) used by financing activities	14,199,500	(538,700)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of short-term investments and marketable securities	(61,440,800)	(69,859,800)
Proceeds from sale of short-term investments and marketable securities	68,909,100	69,547,600
Property and equipment additions	(24,134,200)	(11,649,600)
Proceeds from sale of fixed assets	693,700	49,100
Other—net	(44,400)	81,500
Cash used by investing activities	(16,016,600)	(11,831,200)
INCREASE IN CASH AND CASH EQUIVALENTS	9,157,900	2,859,600
CASH AND CASH EQUIVALENTS, Beginning of year	7,774,200	4,914,600
CASH AND CASH EQUIVALENTS, End of year	$ 16,932,100	$ 7,774,200
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 3,109,500	$ 2,967,700
Property and equipment additions financed by accounts payable	$ 764,300	$ 791,900

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

For the Years Ended June 30, 1991 and 1990

1. Accounting Policies and Procedures

General—OCLC Online Computer Library Center, Incorporated is a nonprofit corporation organized to establish, maintain, and operate an international computerized network of bibliographic cataloging services for libraries and to promote the evolution of library use. The accumulated excess of revenues over expenses (corporate equity) may not be distributed to the members. In the event of dissolution, the Board of Trustees is to adopt such plan for distribution of remaining assets as is consistent with the purpose of the Corporation. The Corporation provides services to its members, generally on a contract basis.

Principles of Consolidation—The consolidated financial statements include the accounts of OCLC Online Computer Library Center, Incorporated and its wholly owned subsidiaries, OCLC Electronic Publishing, Inc.(formerly Avatar Systems, Inc.) and, effective October 1990 MAPS The MicrogrAphic Preservation Service, Inc. (MAPS) (see Note 8). Intercompany transactions have been eliminated in consolidation.

Short-Term Investments—Short-term investments consist of bankers' acceptances, commercial paper, and certificates of deposit with original maturities generally between four and six months, and are stated at cost, which approximates market.

Marketable Securities—Marketable securities are stated at the lower of cost or market. The market value of such securities exceeded cost by approximately $424,000 and $1,152,000 at June 30, 1991 and 1990, respectively. Gains and losses related to marketable securities are recorded using the specific identification method and are reported in other income/expense. Realized gains of $1,146,600 are included in miscellaneous income in fiscal 1991. Realized gains and losses were insignificant in fiscal 1990.

Inventories—Terminals and other inventories are valued at cost (not in excess of market) using primarily the first-in, first-out method of valuation.

Revenue Recognition—Member service revenues are recognized at the time services are provided, and include member system service revenues, terminal and telecommunications revenues, local library systems revenues, and other member service revenues.

Depreciation and Amortization—Depreciation is provided using straight-line and accelerated methods at rates based on the estimated useful lives of the equipment and improvements (3 to 20 years) and buildings (30 to 40 years). The cost of purchased and internally developed software is amortized using the straight-line method over their estimated economic useful lives (3 to 15 years). The Corporation capitalizes the costs associated with purchased database enhancements. The costs of such enhancements are amortized using the straight-line method over 40 years. Expenses in connection with the issuance of Franklin County Revenue Bonds, Series 1985 and 1991, are amortized using the effective interest method over the terms of the bonds.

Income and Other Taxes—The Corporation has obtained tax exempt status under the appropriate sections of the Internal Revenue Code and, accordingly, no provision for federal, state, or local income taxes is required. In addition, the Corporation is exempt from all Ohio personal property taxes and sales and use taxes.

Employee Benefit Plans—The Corporation has a noncontributory, defined contribution pension plan covering all full-time employees who have completed two years of service and a voluntary contributory, defined contribution employee savings plan covering all full-time employees who have completed 90 days of service. The cost of these plans (included in salaries, wages, and related fringe benefits) was $1,550,000 and $1,633,300 for fiscal 1991 and 1990, respectively.

Research and Development—Research and development costs (principally salaries and related fringe benefits), approximating $7,904,000 and $9,519,000 for fiscal years 1991 and 1990, are charged to operations as incurred.

Local Library Systems Contracts—Income from local library systems' division contracts, prior to the division's sale on July 2, 1990 (see Note 7), was recognized using the percentage-of-completion method of accounting. At the time a loss on a contract became known, the entire amount of the estimated loss was accrued. Billings under local library systems contracts were based on contract terms.

Foreign Currency Translation—The Corporation has foreign operations in the United Kingdom and has designated the local currency as the functional currency for such operations. Assets and liabilities are translated at the rate of exchange on the balance sheet date. Income and expense items are translated at the average monthly rate of exchange. The resultant translation gains or losses are included as a separate component of corporate equity. Corporate equity includes net cumulative translation gains of $7,700 and $75,700 at June 30, 1991 and 1990, respectively.

Leases—The Corporation rents certain buildings and equipment under operating leases. Rental expense, net of sublease rentals, for all leases was $717,000 and $1,061,000 for fiscal years 1991 and 1990. Over the next three years, future minimum lease payments under existing non-cancellable lease commitments, net of sublease rentals, aggregate $770,000.

Cash and Cash Equivalents—For purposes of the statement of cash flows, the Corporation considers all highly liquid debt investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Reclassifications—Certain amounts in the 1990 financial statements have been reclassified to conform with the 1991 financial statement presentation.

2. Inventories

Inventories are summarized as follows:

	June 30	
	1991	1990
Terminals	$ 990,300	$ 1,469,700
Printed reference materials and other	2,172,300	1,961,800
Total	$ 3,162,600	$ 3,431,500

3. Fixed Assets

Fixed assets include the following:

	June 30 1991	1990
Land and improvements	$ 8,947,100	$ 2,841,900
Buildings and improvements	32,316,600	28,091,700
Computer and telecommunications equipment (including related software and database enhancements)	68,121,600	59,404,700
Office furniture and equipment	5,465,600	4,707,000
Total	114,850,900	95,045,300
Less accumulated depreciation and amortization	54,052,900	50,715,300
Fixed assets—net	$ 60,798,000	$ 44,330,000

On February 28, 1991, the Corporation purchased buildings and approximately 47 acres of land adjacent to its corporate headquarters for $8,011,900. The purchase price was allocated to land and improvements ($5,940,000), and to building and improvements ($2,071,900). In fiscal 1991, the Corporation developed software internally and capitalized related costs of $2,396,000.

4. Long-Term Debt

In August 1985, the Corporation issued $30,995,000 of Franklin County Refunding Revenue Bonds ("1985 bonds"). The proceeds were used to defease the 1979 Series of Franklin County First Mortgage Revenue Bonds. In May 1991, the Corporation issued $15,000,000 Franklin County Revenue Bonds ("1991 bonds") to acquire land and buildings; to construct, improve and equip the buildings; and to acquire computer, telecommunications and other equipment (see Note 3).

Revenue Bonds—Revenue bonds outstanding are as follows:

	June 30 1991	1990
Serial bonds:		
1985 bonds, 7.75% to 9.00%, maturing annually through July 15, 1995	$ 3,560,000	$ 4,125,000
1991 bonds, 5.40% to 6.80%, maturing annually through July 15, 2001	8,325,000	
Total serial bonds	11,885,000	4,125,000
Term bonds:		
1985 bonds, 9.75%, maturing July 15, 2009	24,960,000	24,960,000
1991 bonds, 7.20%, maturing July 15, 2006	6,675,000	
Total term bonds	31,635,000	24,960,000
Total	43,520,000	29,085,000
Less amount on deposit in Bond Fund	600,000	565,000
Revenue bonds	$ 42,920,000	$ 28,520,000

Bond Fund deposits for the 1985 Serial Bonds are made monthly to the trustee in amounts sufficient to pay one-twelfth of the next principal payment and are reflected as a reduction in Revenue Bonds at year end. Annual sinking fund deposits for redemption of the principal balance of 1985 Term Bonds commence July 15, 1996, in amounts ranging from $910,000 in 1996 to $3,045,000 in 2009. Monthly Bond Fund deposits are also required on the 1985 bonds for payment of interest in amounts sufficient to pay one-sixth of the next semi-annual interest payment and are recorded in the financial statements as a reduction in accrued interest payable. Bond Fund deposits at June 30, 1991 and 1990 included bond interest of $1,428,500 and $1,408,900 and bond principal of $600,000 and $565,000, respectively.

Bond Fund deposits for the 1991 Serial Bonds are made to the trustee 5 business days prior to each July 15th (beginning in 1992) sufficient to cover the next principal payment. Annual sinking fund deposits for redemption of the principal balance of the 1991 term bonds commence July 15, 2002, in amounts ranging from $1,155,000 in 2002 to $1,525,000 in 2006. Interest on the 1991 bonds is payable semi-annually (5 business days prior to July 15 and January 15) to the trustee.

At issuance, the 1985 Master Indenture required a deposit into the Bond Reserve Fund of an amount equal to the annual maximum amount of bond service charges. The bonds are currently unsecured. In the event the Corporation issues additional debt exceeding a certain threshold, the bonds would be secured on a parity with such additional debt.

The aggregate maturities of the revenue bonds, net of the $600,000 deposited in the Bond Fund, are as follows:

	Series 1985	Series 1991	Total
Fiscal year ending June 30:			
1992	$ 655,000		$ 655,000
1993	705,000	$ 635,000	1,340,000
1994	770,000	670,000	1,440,000
1995	830,000	705,000	1,535,000
1996	910,000	745,000	1,655,000
1997 and later	24,050,000	12,245,000	36,295,000
Total	$ 27,920,000	$ 15,000,000	$ 42,920,000

Other Long-Term Debt—Other long-term debt at June 30, 1991, consists of three notes payable to a bank. The notes bear interest at rates ranging from 9.50% to 11.25% at June 30, 1991. Subsequent to June 30, 1991, the Corporation renegotiated the interest rate on the three notes payable to the bank. The rates on the three notes were lowered to the bank's prime rate. The notes are collateralized by substantially all of MAPS fixed assets.

The aggregate maturities of other long-term debt at June 30, 1991 are as follows:

	Amount
Fiscal year ending June 30:	
1992	$ 16,300
1993	210,300
1994	177,000
1995	12,700
Total	$416,300

5. Bank Line of Credit

The Corporation has a $6,000,000 unsecured revolving line of credit with a bank. Under the terms of the agreement, interest on amounts borrowed is payable at the bank's prime rate of interest. During fiscal 1991 and 1990 no borrowings were made under such line of credit.

6. Deferred Compensation

An agreement with a former officer and present trustee provides for certain benefit payments which commenced when he retired as an officer and extend for a period equal to the longer of his or his spouse's remaining life.

An agreement with another former officer provides for certain benefit payments which commenced when he retired as an officer and extend for a fixed period.

In prior years, the Corporation accrued a liability for the present value of the estimated future payments under these agreements.

7. Sale of Local Library Systems Division

On July 2, 1990, the Corporation sold the computer software products, fixed assets, inventories and existing customer contracts related to its Local Systems Division. The transaction resulted in a gain of approximately $470,000 which is recorded as miscellaneous income in the 1991 financial statements. Under the terms of the sales agreement, OCLC is to receive royalties of 17.5% of gross revenues, not to exceed $2,240,000. Miscellaneous income includes royalty income of $592,400 for fiscal 1991 related to the agreement.

8. Transfer of Control of MAPS The MicrogrAphic Preservation Service, Inc.

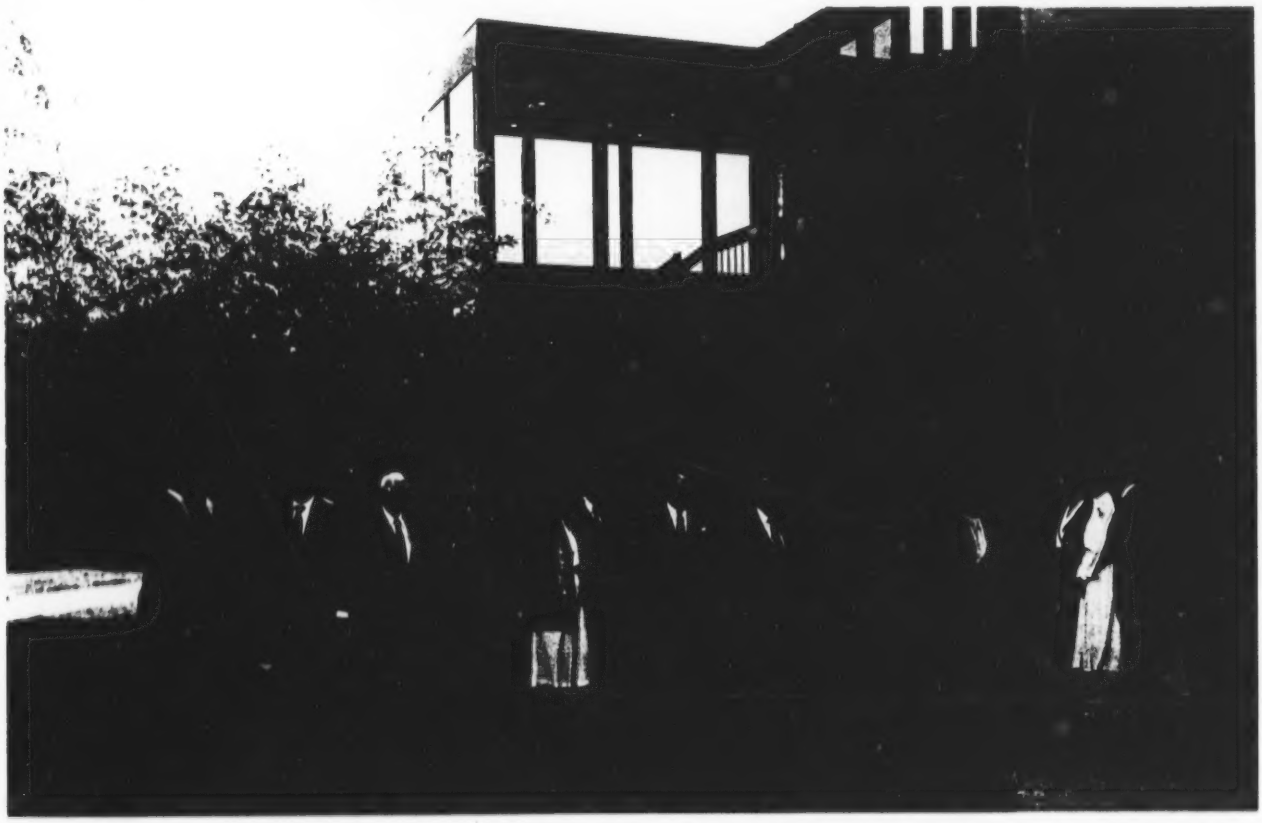
Effective October 11, 1990, MAPS The MicrogrAphic Preservation Service, Inc. formerly Mid-Atlantic States Cooperative Preservation Service, and the Corporation concluded an agreement which transferred control of MAPS to the Corporation. Under a revised governance structure, the Corporation became the sole member of MAPS and the Corporation's President and Chief Executive Officer was named Chairman of the MAPS Board of Trustees. MAPS is a nonprofit corporation organized under the laws of New Jersey.

This transaction has been accounted for using the pooling of interests method. The Corporation's consolidated balance sheet as of June 30, 1990, and the related consolidated statements of revenues, expenses, and corporate equity and of cash flows for the year ended June 30, 1990 have not been restated since the effect of this transaction is not significant in relation to the Corporation's consolidated financial statements taken as a whole. At July 1, 1990, MAPS' assets consisted primarily of land, buildings and equipment of $1,927,700, and it had corporate equity of $1,495,600. MAPS' operations are included in the consolidated financial statements for the year ended June 30, 1991 and its revenues for the fiscal year were $1,108,800 and are included in member service revenues.

9. Contingency

The Corporation's purchase of Forest Press, publisher of the Dewey Decimal System, in fiscal 1989 included a provision for future periodic payments equal to 2% of gross revenues from print form publications of Forest Press, up to a maximum of $700,000. The Corporation recorded expense of approximately $41,000 and $17,000 for such future periodic payments in fiscal 1991 and 1990 (total of $149,000 through June 30, 1991), respectively.

OCLC Board of Trustees



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The Users Council comprises delegates from networks and service centers whose use of the OCLC system and contribution to the OCLC database qualify them for Users Council membership. Delegates reflect and articulate the various interests of the General Members of OCLC and ratify amendments to the Articles of Incorporation and Code of Regulations of OCLC. The Users Council elects six trustees to the OCLC Board of Trustees. Members of the 1990/91 Users Council Executive Committee were: Betty Bengtson, President; William Gray Potter, Vice President/President Elect (succeeded Donald Riggs, who resigned); Marshall Keys, Delegate-at-Large; John Popko, Delegate-at-Large; and Jennifer Younger, Delegate-at-Large.

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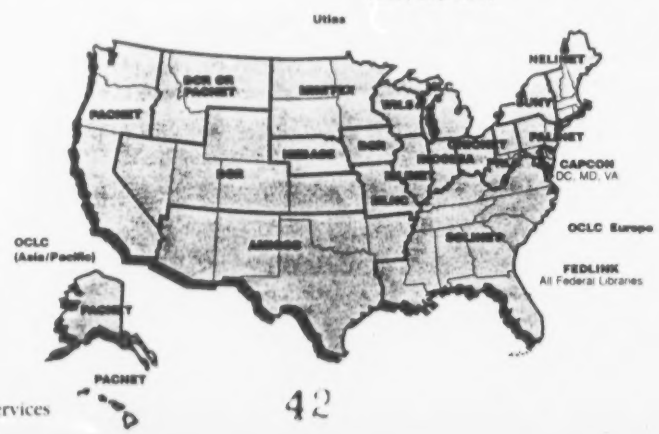

OCLC Asia Pacific Services markets OCLC products and services to libraries in the Asia Pacific region and Latin America.

OCLC occupies approximately 90 acres in Dublin, Ohio, along the I-270 outerbelt of Columbus. The main building in the background was completed in 1981 and contains a 44,200 sq. ft. computer facility, a 153-seat auditorium, a cafeteria, and some 600 workspaces. The building complex in the foreground was acquired in 1991. The 73,600 sq. ft. office facility houses 200 employees and a special area for training and large meetings. A 116,050 sq. ft. warehouse is also on the grounds.

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Excerpted from the Articles of Incorporation of OCLC Online Computer Library Center, Incorporated

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